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An Overview of Opportunities in the E-Commerce Industry

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Abstract

The e-commerce retail industry in India has grown substantially, driven by increasing Internet penetration, smartphone usage, and language diversity on e-commerce platforms. Further, adoption of digital wallets has become more widespread now, aided by the overall shift towards digital payments. The industry is expected to witness rapid growth, fuelled by a recently-held large deal. Consequently, the e-commerce retail logistics industry has grown at a brisk rate. While growth has been high, there are inherent challenges which the industry is trying to overcome. Some of the issues that confront the sector include high cost pressures, high returns, and inadequate physical infrastructure. Trends and developments in e-commerce retail, rising consumer expectations, and amplified demand for same-day deliveries are shaping the ways the e-commerce retail supply chain functions. This sector is also experiencing the rise of new business models like omni-channel retailing and new business models for last-mile delivery, like delivery through local retailers. Logistics requirements for the e-commerce retail sector are getting reshaped by continuously evolving business demands. The growth of the sector continues to be on an upwards trajectory, and is expected to continue to do so.

Keywords: E-Commerce, Logistics, Entrepreneur, Supply Chain, Growth

Introduction

E-commerce is the easiest and most convenient shopping option for customers and it is now easier for all of us to buy products worldwide by simply clicking the 'Order Now' button available on all online apps and websites. In India, the e-commerce market has seen a huge leap from 2009 to the present. The main reason for this huge growth depends on the variety of products and the simple delivery system. The 'Cash-on-Delivery' option available to users is another incentive for e-merchants. A personal shopping experience is not limited to ordering a product; customers are satisfied only if they get the product expected on time. Here comes the role of transportation, often understood to be a part of supply chain management, which allows the transportation of goods and services from, through, and into the company. It is, therefore, a process of carrying goods and building materials up to the point of use. So e-commerce and logistics are the key factors that facilitate the development of the country's economy. The information system is the most important factor in the successful implementation of this system.

Logistics is considered to be the backbone of the Indian economy. Over the years, the e-commerce logistics landscape has been evolving significantly. IBEF's study highlights that Indian e-commerce will hit the $99 billion mark by 2024 and will boom at a CAGR of 27 per cent. As per research and market reports, the Indian e-commerce logistics market was valued at $2.93 billion in 2019. It is anticipated to reach $11.48 billion by the end of 2027, and will grow at a CAGR of 18.8 per cent between 2020 and 2027. Logistics that was widely followed by merchants through the transfer of goods became a prominent feature in the 19th century and has now gained status and is an inevitable platform for any business. Tracing the origin of the term, it is believed that the branch of military science was mainly used for using, maintaining, and transferring men, goods, and services. Since then travel

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has seen significant growth worldwide. Logistics basically includes two categories of entry and exit. To put it bluntly, inventory refers to the movement of immature goods and unfinished products into a production environment, while exit items refer to the transportation of finished products to end users. In the e-commerce industry, exports are active, and imported work is the same, which has created many job opportunities in the sector.

The COVID-19 epidemic has affected the Indian economy, consumer behaviour, and investment decisions of firms. At the end of March 2020, Prime Minister Modi announced a three-week "closure". Air travel was restricted and individual city governments discontinued public transportation services in many cases. The economic impact of COVID-19 is expected to be severe. The recovery package announced by the Indian government on March 26, 2020, less than one per cent of the GDP, may not contradict these results in the short term. Having said that, some government action may be taken in the future and the consequences of this are hard to predict at this time. The full impact of the COVID-19 status is therefore difficult to predict at this time. Some viewers expect that e-commerce will increase, due to the fact that more people are staying home during the 'lockdown'. However, the objection to this optimistic view may be that traffic and flights may face operational difficulties, due to roadblocks, and financial problems facing transportation and transportation companies, and other such incidents.

The Objective of the Research

- This study aims to understand the logistics system in the Indian e-commerce market.
- To know the growth of entrepreneurs in e-commerce logistics in the Indian market.
- To study the opportunities and challenges in e-commerce logistics for entrepreneurs.

Review of Literature

Entrepreneurs

Gulab et al. (2016), The study was aimed at investigating the role of entrepreneurial capabilities like identifying the opportunities, the estimated relational, conceptual estimated, the ability of the organisation, strategic ability, commitment ability, learning ability, and the ability of personal power. The study showed that Iraqi private universities are keen in strengthening entrepreneurial strategies of exploration and investment strategy. And also they are paying a great deal of attention to supporting the development of entrepreneurial capabilities of various kinds, whether through the adoption of new methods for acquiring these capabilities or through developing existing ones to strengthen the entrepreneurial strategies of those universities.

E-Commerce

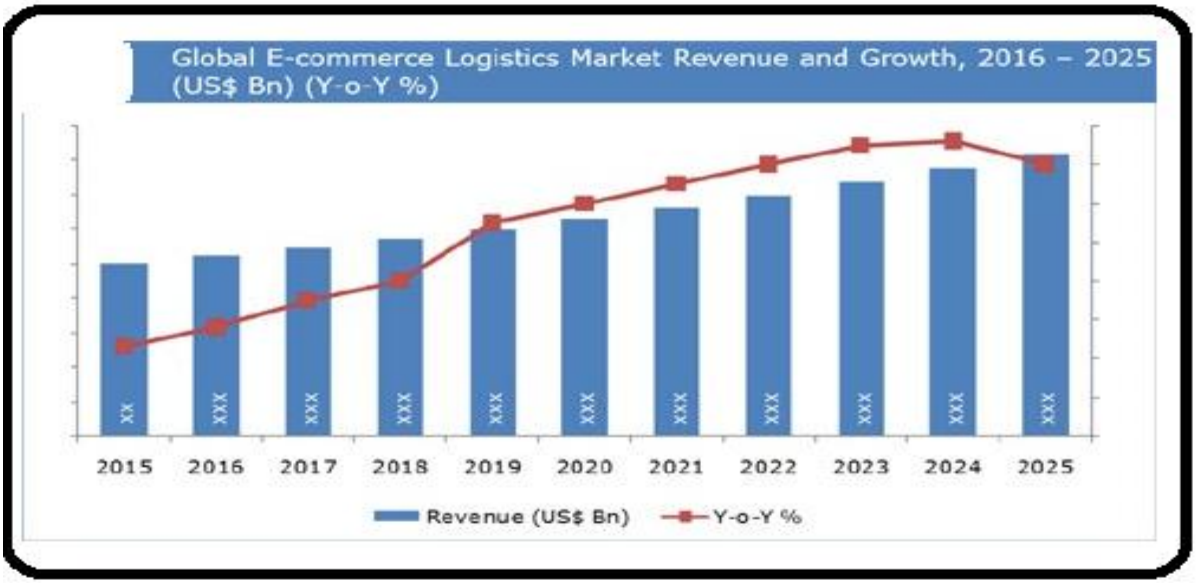
Electronic commerce, commonly known as ecommerce or e-commerce, consists of the buying and selling of products or services over electronic systems, such as the Internet and other computer networks (Devendra et al., 2012). It is a means of performing all operations related to the purchasing and selling of goods, services, and information via the Internet, or other commercial networks (Dowy, 2010).

Logistics

Nedeliakova et al. (2014), The logistics service quality and customer satisfaction are considered the key business environment factors, as they improve the relationship between logistics service providers and customers in the long term. For long-term business relationship, logistics service providers need to provide services in line with customers' needs and lead to high customer satisfaction.

Growth Drivers for E-Commerce Logistics

India's e-commerce industry is dominated by two players who control 63% of the market. India's e-commerce sector has grown at an average rate of 28% over the past decade. In 2014, India's e-commerce market size was $14 billion. It reached $50 billion in 2018. Mobile penetration, easy purchasing, and the growing ability of fast delivery providers will continue to boost market growth to the revenue of USD 64 billion by 2020. Amazon and Flipkart are two major players in the Indian e-commerce market, with a combined market share of 63% (2018). Amazon and Flipkart also have their own captive arms that handle more than 80% of their operating needs. Myntra, PayTm Mall, and Snapdeal together make up 12% (2018) of the market. These players, along with other small e-commerce providers, rely on 3PL and courier service providers across the country to fulfil their orders. The Indian e-commerce industry has been on a growing path with increasing growth potential and factors that are considered to be key to its growth. The e-commerce retail logistics market was worth USD 1.35 billion in 2018, and is expected to see 36 per cent growth over the next five years. The e-commerce retail logistics sector is catered for by traditional logistics service providers (LSPs), commercial e-commerce service providers, and captive transport weapons. However, the largest share (49 per cent share) is still dominated by new-age players who cater primarily to e-commerce marketing.



Source: E-Commerce Logistics Market Size, Trend, Growth And Forecast To 2025 (credenceresearch.com).

Fig. 1

- *Traditional Transport Service Providers:* With the rapid growth of the e-retail industry in India, traditional LSPs have begun to provide e-retail logistics solutions to stay relevant. Many have combined different B2B and B2C capabilities. Their existing network, coupled with their knowledge and experience in India, has enabled them to capture almost a quarter of the market share in the field of e-retail logistics. However, e-retail players require a certain level of skills and levels of service to provide for their customers. The limited technical capabilities existing in third-party players (3PL) have provided an opportunity to focus on e-commerce LSPs and capture the arms of major e-commerce retailers.
- *Commercial E-Commerce Service Providers*: Over the past few years, dedicated LSPs for e-commerce marketing have entered the market through a technology-focused approach that allows players to upgrade, stay efficient, and still offer competitive prices to customers. These players hold about 28 per cent of the industry. Individual athletes grow faster and increase their performance, reach, and skills. The huge influx of investments in launching and networking strategies with electronic retailers has been proven over the past few years.
- *Captured Editing Weapons*: Internal weapons of major email vendors still use more than 70 per cent of the delivery of their respective email vendors. Not only are the captive arms of electronic retailers guaranteed by large indoor volumes, these captured arms have now begun to provide services to other external e-dealers. In addition, when it comes to sophisticated shipping and/or high value items such as jewellery and furniture, electronics retail-

ers rely on their captive transport arms for delivery. This resulted in players taking up about half of the market share (49 per cent). Electronic retailers are investing large sums of money in their forearms to increase capacity, expand facilities and reach, employ more staff, and establish pan-India targets to meet the growing needs of both the internal and the external dealers.

Products purchased online go through a number of processes before reaching the end customers. Starting with the first mile logistics, which includes downloading goods from retailers and delivering them to e-dealer filling stations or directly to the warehouse, depends on the type of filling model, i.e., led by inventory or market. In the inventory-led model, the products are shipped to the filling facility without packaging/labelling, while in the market model, the products are fully packaged and sent to the store for storage. The first mile logistics is followed by completion, which includes picking and packaging of products once the order has been placed on the website. Upon completion, the products are shipped to be processed/sorted, based on the delivery point at the 3PLs' processing centre and continuously connected to the supply chain by line, depending on the final delivery point. Line transport involves connecting a large supply chain with the most demanding facility, through air. Extra transport or flight depends on transport time and cost matrix. Flights cost three to four times more than the linear pull; however, travel time is less. Recently, 3PLs initiated surface express movement with a dedicated movement between two points, with shorter transport time than normal upper line movement. This is followed by the delivery of final miles that include shipping of products from hubs to delivery locations, from where it is shipped to customers. This leg depends on the staff and infrastructure, in terms of the number of delivery points, delivery vans, and bicycles.

The Growth of the E-Commerce Logistics Industry

As of 2018, metro cities account for about half of the e-commerce shipping industry, which means more space for Tier-II and sub-cities to grow. The growth of the e-commerce industry has stimulated the growth of e-commerce logistics. The market size of e-commerce-focused logistics is estimated at USD 1.35 billion in 2018. A majority of the e-commerce shipments (50%) are currently in metro cities and Tier-I cities. The latter handle 1 million shipments daily. It is expected that rising Internet penetration, increased revenue growth, and improved transportation infrastructure will increase the Phase II urban budget and below 50% by 2022. E-commerce sales are mostly built on electronic goods and textiles. There is 77% profit margin for these two categories of products. According to the product categories presented, these are very much a reflection of online shopping patterns. Since the e-commerce sector is dominated by the 'big horizontals', the largest share is taken by low involvement with reliable products such as electronics and clothing.

Opportunities in E-Commerce Logistics for Entrepreneurs

It may seem counter intuitive to start a small business during a time of global uncertainty and supply chain disruption. However, the truth is, now is a good time. Skyrocketing e-commerce demand is overwhelmingly changing markets, paving the road for innovative manufacturing, warehousing, and logistics entrepreneurs to launch new businesses. In the United States alone, e-commerce is expected to grow from $431.6 billion in 2020 to $563.4 billion in 2025. That compares to a staggering 31% growth rate over five years, accelerating among both digital native brands and brick and mortar retailers. However, today's market requires high performance of logistics, and companies that can deliver on time. Recent research by Deloitte shows that small businesses are reaping substantial financial rewards by espousing digital technology. These investments can empower small businesses to enhance operational efficiency, increase inventory transparency, and ultimately meet customer demand.

The rise of e-commerce has amplified consumer expectations, particularly in delivery. Retailers are wrestling to conquer supply chain disruptions by increasing safety stock and inventory from 15 to 60 days to avoid disturbances and to better serve shopper demands. So, they are looking for manufacturers who can produce and pack products quickly, as well as warehouse and logistics providers who can bring fulfilment closer to customers, and help reduce fuel costs, within a short span of time.

However, businesses in highly seasonal sectors must be ready to scale accordingly. Those that deploy the right technology now will be equipped with the knowledge of what is in stock, what they can fulfil, and when they can ship. They will be able to meet the customer's current expectations and deliver predictive insights for the future. Many businesses in the warehousing, manufacturing, and logistics sectors are already on the road to modernisation. New operations have an opportunity to harness the power of technology and start that strategic journey one step ahead, building the business from the ground up to deliver greater efficiencies and maximise productivity across workflows.

Challenges in E-Commerce Logistics

Although the e-commerce industry is expected to grow, its basic challenges remain. The sector faces many challenges, including cost pressures and poor infrastructure, to name a few.

- *Cost Pressures:* India faces higher transport costs compared to developed countries like the USA, Japan and most European countries. In addition to the inefficiency of the infrastructure, delivery costs are increased by factors such as the high return rate and the highest share of Cash-on-Delivery (COD) orders. Cost pressures drive e-commerce retail logistics firms to switch to more freight for delivery.
- *High Return Rate:* Currently, returns account for approximately 20 per cent of the total shipping. Return shipping comes with its own set of challenges, and increases transportation costs. E-commerce platforms take steps to contain the percentage of returns. Restoration is expected to slow down, improve performance processes, provide innovation in technology, and customer analysis, among other things. In addition, changes in classification, switching to operational categories, and the implementation of strict refund policies may reduce customer-initiated returns. Finally, an increase in local and regional shipping will increase customer speed, which in turn is expected to reduce returns due to reduced delivery failures.
- *Poor Infrastructure:* The Indian transport industry is plagued by a lack of proper infrastructure for both air and overhead transport. Weak infrastructure has led to inefficiencies, longer transport times, higher transportation costs, and higher returns. As much of the demand is expected to come from Tier-II and sub-cities, infrastructure will play a major role in e-commerce marketing. Good infrastructure is expected to improve efficiency, reduce travel times, control costs, and result in better utilisation of assets. To prepare for the fast-growing e-commerce industry, worldwide, there has been an increase in international exports driven by an increase in online retail stores and a growing e-commerce market at the border. India serves as a transit hub for various routes across continents such as Europe-Australia and Europe-South East Asia. Although India's airports are geographically profitable due to their convenient location, they do not have the necessary infrastructure to cater to the rising international prices. Moreover, this section is still divided. There are inadequate facilities at small airports and lack of communication in Tier-II and Tier-III, with major cities, for air transport. The need of the hour is the development of transport facilities to address the growing traffic across continents, the development of existing airports, and the improvement of regional connections.

Research Gap and Future Study Guidelines

Customer purchasing behaviour emerges faster than the supply chain, and supply chains can adapt. The rapid change in expected sales of e-commerce customers, driven by click-focus, and collection, and next-day delivery, means that using an effective e-commerce supply chain and filling function presents a new set of challenges. To meet these new expectations, e-tailers need to find new solutions at all stages, from demand forecasting, to asset management, asset storage, technology integration, and distribution. Strong mobile presence, in-store sales, and fast delivery are the keys to e-commerce success, as well as strong competition for high-end logistics solutions. Today, supply chains are divided by channels, leading to duplication of goods and infrastructure. Only a handful of companies are starting to offer omni-channel DCs, to utilise different channel spaces within the same warehouse and different flexible solutions used to easily meet the changing supply chain requirements of B2B and B2C channels. Unfortunately, there is still limited research associated with how e-commerce has been and can be used in supply chains. From this perspective, many opportunities for future research may be open to researchers. These new research areas could be the analysis of big data in transport and SCM, the 4.0 state-of-the-art transport industry and supply chain, strategic whole-channel operation, integration of entire channels, and design of distribution channels.

Conclusion

The role of the logistics industry is growing with technological advancements, and requires the necessary infrastructure, communication, and so on, to be fully realised. It will be a business venture in the future. The country's business economy must be prepared to adopt this new trend. It is also important that customers protect the operators in the field from cheating, and existing rules should be amended to protect customers. The traditional concept of caveat-emptor can also be thought of as electronic-emptor. Consumers should be fully educated, with self-defence awareness of angry e-traders. Consumer movements and online rules should be directed together to protect end users.

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